

Canadian Celanese Limited

*Annual Report
For the Year Ended
December 31
1938*

CELANESE

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Directors

BRIG.-GEN. SIR WILLIAM ALEXANDER
K.B.E., C.B., C.M.G., D.S.O., M.P.

W. MCC. CAMERON	C. W. PALMER
DR. CAMILLE DREYFUS	A. SCHWARTZ
DR. HENRY DREYFUS	P. A. THOMSON
G. H. WHIGHAM	

Finance and Executive Committee

P. A. THOMSON (<i>Chairman</i>)	DR. CAMILLE DREYFUS
G. H. WHIGHAM	W. MCC. CAMERON

Officers

G. H. WHIGHAM, *Chairman of Board of Directors*

DR. CAMILLE DREYFUS, *President*

W. MCC. CAMERON, *Vice-President*

H. BLANCHE, *Secretary and Treasurer*

C. W. PALMER
Vice-President

R. H. SPERLING
Factory Manager

C. HESSEY-WHITE
Sales Manager

General Offices

1401 McGill College Avenue
Montreal, P.Q.

Factory

Drummondville
P.Q.

Auditors

MESSRS. P. S. ROSS & SONS
Montreal, P.Q.

DIRECTORS' REPORT

February 21, 1939

TO THE SHAREHOLDERS OF
CANADIAN CELANESE LIMITED:

I take pleasure in presenting herewith the Balance Sheet and Earned Surplus Account as at December 31, 1938, the Statement of Income and Expenditure for the year ended December 31, 1938, and the Statement showing the amount of Earned Surplus available for distribution as a participating dividend on the 7% Cumulative Participating Preferred Stock. These documents have been prepared and certified to by the Company's auditors, Messrs. P. S. Ross & Sons.

The balance of Net Profit for the year transferred to Earned Surplus Account, after appropriating the sum of \$122,400.00 for payment of interest for 1938 and Sinking Fund in respect to Income Funding Rights, amounted to \$1,194,847.98 as compared with the amount of \$1,266,702.38 transferred to Earned Surplus in 1937.

Dividends were paid during the year in the amount of \$1,014,409.00, which included \$54,000.00 paid to the holders of the 7% Cumulative Participating Preferred Stock as the participating dividend in respect of the year 1937.

The participating dividend to which the 7% Cumulative Participating Preferred shareholders are entitled with respect to the year 1938 will be paid when declared by the Board of Directors.

Capital expenditures for improvements and additional facilities were in excess of \$250,000.00.

For the year your Company paid a total tax charge, Dominion, Provincial, and Municipal, of \$408,170.79.

With the greatest regret I have to inform you of the loss through death of two highly esteemed members of our Board of Directors, Mr. Charles L. Auger and Mr. Lee Cadien. Mr. Auger was a Director of this Company since its inception and rendered much valuable service. Mr. Cadien was a Director and Secretary-Treasurer of the Company since its inception and his advice and help to the Company's management are much missed by his colleagues.

For the Board of Directors,
CAMILLE DREYFUS,
President.

AUDITORS' REPORT

February 3, 1939.

CANADIAN CELANESE LIMITED,
MONTREAL.

We have examined the books of account and financial records of Canadian Celanese Limited for the year ended December 31, 1938 and have obtained all the information and explanations we have required.

We certify that, in our opinion, the attached Balance Sheet and relative Statement of Income and Expenditure and Earned Surplus Account present a true and correct statement of the financial position of the Company as at December 31, 1938 and the result from operations for the year ended that date, according to the best of our information and the explanations given to us and as shown by the books of the Company.

There is attached a statement showing the amount of Earned Surplus as at December 31, 1938 available for distribution as a Participating Dividend on the Preferred Stock; we certify that, in our opinion, this statement is correct.

P. S. ROSS & SONS,
Chartered Accountants.

BALANCE SHEET AS

ASSETS

CURRENT:

Cash on Hand and in Banks.....	\$1,328,741.81	
Government Bonds and Other Securities, at cost (approximate market value \$1,364,540.00).....	1,374,281.77	
Trade Debtors, less Reserve for Doubtful Accounts..	679,869.49	
Other Accounts Receivable and Accrued Interest....	19,035.04	
Inventories of Raw Materials, Supplies, Work in Process and Finished Goods, as determined and certified by the Management and valued at cost.....	1,815,369.35	
		5,217,297.46

DEFERRED AND PREPAID CHARGES:

Unexpired Insurance and Taxes.....	21,325.26	
Inventories of Stationery and Advertising Materials.	7,215.86	
Expenses applicable to future operations.....	14,630.74	
Cost of Income Funding Rights purchased in anticipation of Sinking Fund requirements.....	12,974.31	
		56,146.17

SECURITIES HELD FOR INVESTMENT, valued at cost.....	197,232.53
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FIXED:

Real Estate, Plant, Machinery and Equipment, at cost	11,430,870.30
Patents, Processes, Trade Marks and Contracts.....	1,657,073.52

SPECIAL FUND re INCOME FUNDING RIGHTS, AS PER CONTRA.....

367,200.00

ASSETS HELD FOR SPECIAL FUND—

Cash in Bank.....	20.00
Government Bonds at cost (approximate market value \$257,490.00).....	238,355.00
Income Funding Rights, 5,153 Rights valued at \$25.00 per Right.....	128,825.00
	<u>\$ 367,200.00</u>

\$18,925,819.98

APPROVED ON BEHALF OF THE BOARD:

(Signed) W. McC. CAMERON.....Director.

" P. A. THOMSON.....Director.

T DECEMBER 31, 1938

LIABILITIES

CURRENT:

Accounts Payable and Accrued Liabilities.....	\$ 243,412.05	
Provision for Dominion, Provincial and Municipal Taxes.....	298,527.66	
Interest on Income Funding Rights.....	79,255.00	
		\$ 621,194.71

RESERVES:

For Depreciation of Buildings, Machinery and Equipment.....	2,795,416.38	
For Amortization of Patents and Processes.....	851,735.93	
For Contingencies, Unascertained Charges, etc.....	38,136.11	
Special Reserve.....	550,000.00	
		4,235,288.42

CAPITAL STOCK:

Authorized—

- 150,000 Shares 7% Cumulative Participating Preferred, Par Value \$100.00 per share.
- 300,000 Shares Common, Without Nominal or Par Value.

Issued—

100,000 Shares Preferred.....	10,000,000.00	
260,409 Shares Common.....	1,169,045.00	
		11,169,045.00

Income Funding Rights having the attributes set forth in Special By-Law "A":

Issued under the Scheme of Arrangement of November 7, 1934.....	90,000 Rights	
Less: Purchased by the Company and held in Special Fund as per Contra....	5,153	
Held in anticipation of Sinking Fund requirements.....	722	
Delivered to Sinking Fund.....	4,870	
	10,745 Rights	
	79,255 Rights	

(Rights purchased by the Company cannot be re-issued)

BALANCE OF SINKING FUND RE INCOME FUNDING RIGHTS set aside in accordance with the provisions of Clause 3 of Special By-Law "A".....

4.00

SPECIAL FUND RE INCOME FUNDING RIGHTS, as per contra, set aside in accordance with the provisions of Clause 5 of Special By-Law "A".....

367,200.00

SURPLUS ACCOUNTS:

Distributable Surplus, set aside in 1936 in accordance with the provisions of Sub-section 7 of Section 12 of The Companies Act, 1934.....	62,500.00	
Earned Surplus, per Statement attached.....	2,470,587.85	2,533,087.85
		<u>\$18,925,819.98</u>

This is the Balance Sheet referred to in our attached Report of even date.

P. S. ROSS & SONS,

Chartered Accountants.

MONTREAL, February 3, 1939.

STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended December 31, 1938

NET OPERATING PROFIT before taking up the items below \$2,103,885.74

ADD:

Income from Investments.....	\$87,539.19	
Profit on Income Funding Rights purchased for Special Fund and for Sinking Fund.....	13,757.71	
		<u>101,296.90</u>
		2,205,182.64

DEDUCT:

Remuneration of Executive Officers and Directors required to be shown separately under Section 113 (2) of The Companies Act.....	91,984.02	
Fees of Directors not included above.....	6,700.00	
Legal Fees, including expenses of patent litigation..	44,492.69	
Depreciation of Plant, Machinery and Equipment...	404,551.80	
Amortization of Patents and Processes.....	65,206.15	
Reserve for Income Tax.....	275,000.00	
		<u>887,934.66</u>

NET PROFIT FOR THE YEAR 1,317,247.98

DEDUCT:

Amount appropriated for Interest for 1938 and Sinking Fund re Income Funding Rights, in accordance with the Provisions of Clause 3, of Special By-Law "A"..	122,400.00
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BALANCE OF NET PROFIT for the year transferred to Earned Surplus Account.....	<u><u>\$1,194,847.98</u></u>
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EARNED SURPLUS ACCOUNT

as at December 31, 1938

BALANCE AT CREDIT, January 1, 1938.....	\$2,290,148.87
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ADD:

Balance of Net Profit for the year, transferred from Statement of Income and Expenditure.....	1,194,847.98
	3,484,996.85

DEDUCT:

Dividends Paid:

On Preferred Shares—

At rate of 7% per annum for 1938.....	\$ 700,000.00
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Participating Dividend of 54 cents per share, in respect of the year 1937.....	54,000.00
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	754,000.00
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On Common Shares, at rate of \$1.00 per share....	260,409.00
	1,014,409.00

BALANCE AT CREDIT, December 31, 1938 (\$50,190.56 of which is subject to distribution as a Participating Dividend, when declared).....	\$2,470,587.85
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Statement showing the amount of Earned Surplus as at December 31, 1938 available for distribution as a Participating Dividend on the 7% Cumulative Participating Preferred Stock.

AMOUNT OF EARNED SURPLUS as at December 31, 1937, which was subject to payment of a Participating Dividend of 10%, when declared.. \$ 547,057.67

DEDUCT:

Earned Surplus on which a Participating Dividend of \$54,000.00 was paid on March 31, 1938.....	540,000.00
	7,057.67

ADD:

Balance of Net Profit for the year 1938, per attached Statement of Income and Expenditure.....	1,194,847.98
	1,201,905.65

DEDUCT:

Dividends (other than Participating Dividends) paid on Preferred Shares in 1938.....	700,000.00

AMOUNT OF EARNED SURPLUS as at December 31, 1938, which is subject to payment of a Participating Dividend of 10% (equivalent to 50.19 cents per share) when declared.....	\$ 501,905.65
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